

Message Text

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ACTION ARA-10

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C O N F I D E N T I A L BRIDGETOWN 1467

E.O. 11652: GDS

TAGS: EFIN, BB

SUBJ: OPPOSITION REPLY TO BUDGET MESSAGE HIGHLIGHTS CORRUPTION AND
STATE OF THE ECONOMY AS LIKELY ELECTION ISSUES

SUMMARY

ON JULY 30, PRIMIN AND FINANCE MINISTER ERROL
BARROW PRESENTED GOB BUDGET PROPOSALS TO HOUSE OF ASSEMBLY.
INCLUDED WERE SEVERAL RELATIVELY MINOR CORPORATE AND PER-
SONAL INCOME TAX CHANGES. LEADER OF THE OPPOSITION "TOM" ADAMS
REPLIED IN HARD-HITTING POLITICAL SPEECH. BESIDES CRITICIZING BUDGET
PROPOSALS, HE ALLEGED THAT ATTORNEY GENERAL MOE AND AMBASSADOR
TO THE UN TUDOR HAD ACCEPTED QUESTIONABLE PAYMENTS AND
PRODUCED CANCELED CHECKS AS PROOF. CONSENSUS SEEMS TO BE
THAT HIS SPEECH SIGNIFICANTLY STRENGTHENED THE BARBADOS
LABOR PARTY'S CHANCES OF WINNING THE NEXT GENERAL ELECTION.

1. ON JULY 30, PRIMIN AND FINANCE MINISTER ERROL
BARROW PRESENTED GOB BUDGET PROPOSALS TO HOUSE OF ASSEMBLY.
PROCEEDINGS, INCLUDING REPLY BY OPPOSITION LEADER J.M.G.
"TOM" ADAMS, WERE BROADCAST LIVE OVER GOVERNMENT-OWNED
TELEVISION NETWORK. IN UNCHARACTERISTICALLY SHORT (40
MINUTES) MESSAGE, BARROW ANNOUNCED ELIMINATION OF THE FIVE
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PERCENT SALES TAX ON MEDICINES AND OTHER "ESSENTIALS",

SELECTIVE CHANGES IN CORPORATE AND PERSONAL INCOME TAXES AND A NEW TEN PERCENT LEVY ON AIR TRAVEL OUTSIDE THE CARICOM REGION. HE ALSO REVEALED THAT THE SUGAR INDUSTRY WOULD RECEIVE US\$1.7 MILLION FROM THE STABILIZATION FUND AS PARTIAL COMPENSATION FOR THIS YEAR'S SHARPLY LOWER EXTERNAL SELLING PRICE AND THAT A SUGAR INDUSTRY AUTHORITY WOULD BE SET UP TO REPLACE THE EIGHT BOARDS AND COMMITTEES THAT NOW DEAL WITH THE INDUSTRY.

2. IN HIS REPLY TO BARROW, ADAMS (WHO IS BARBADOS LABOR PARTY'S "SHADOW" FINANCE MINISTER) BEGAN BY RHETORICALLY ASKING WHY THE PM HAD NEGLECTED TO PROVIDE HIS USUAL DETAILED ANALYSIS OF THE BARBADIAN ECONOMY. ADAMS THEN PROVIDED HIS OWN HIGHLY NEGATIVE ASSESSMENT. REMINDING HIS LISTENERS THAT PRICE INFLATION SINCE THE LAST GENERAL ELECTION IN 1971 HAS TOTALED 124 PERCENT, ADAMS CATEGORIZED UNEMPLOYMENT AS BARBADOS' MOST SERIOUS PROBLEM AND ATTACKED THE GOVT'S CLAIM OF ONLY 11 PERCENT UNEMPLOYMENT BY CITING A U.N. STUDY PLACING THE FIGURE AT 28-30 PERCENT. OBVIOUSLY WARMING TO HIS "VIEWING WITH ALARM" ROLE, HE THEN ASKED HOW LONG THE SOCIETY COULD CONTINUE TO TOLERATE MASSIVE UNEMPLOYMENT AND UNDEREMPLOYMENT. ADAMS ALSO CRITICIZED THE LEVEL OF THE NATIONAL DEBT, WHICH HE PLACED AT US\$100 MILLION, AND CITED DECLINES IN TOURISM, GENERAL COMMERCE AND CONSTRUCTION, PARTICULARLY HOUSING. HE ALSO CALLED INTO QUESTION THE BONAFIDES OF THE AIR CARRIER ICA, TERMING IT A "NATIONAL AIRLINE" WITHOUT PLANES, CREWS OR STAFF WHOSE SHAREHOLDERS OF RECORD WERE A BAHAMIAN ATTORNEY, THE ATTORNEY'S TYPIST AND CLERK. ALLUDING TO THE BATH PLANTATION HOTEL SCHEME, WHICH HAS BEEN HEAVILY UNDERWRITTEN BY THE GOB, HE CHARGED THAT IT IS BANKRUPT AND THAT THE BARBADIAN TAXPAYER IS TO BE LEFT HOLDING THE BAG.

3. ADAMS DEVOTED CONSIDERABLE TIME TO CRITICISM OF THE ROLE OF FOREIGN COMMERCIAL BANKS HERE. (ALL OF THE ISLAND'S COMMERCIAL BANKS ARE FOREIGN: FOUR AMERICAN, THREE CANADIAN AND ONE BRITISH.) HE CLAIMED THE BANKS CHARGED EXCESSIVE INTEREST RATES AND WERE "OVER LIQUID" BECAUSE THEY DID NOT LEND ENOUGH TO BARBADIANS. INDEED, HE DECLARED, IT WAS QUESTIONABLE WHETHER THE FAVORABLE CONDITIONS GRANTED THEM

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IN THE LAST DECADE WERE IN BARBADOS' INTEREST AT ALL.

4. COMMENT: BARROW'S PERFORMANCE WAS CLEARLY UNIMPRESSIVE. THE PRIME MINISTER GAVE NO INDICATION THAT HE UNDERSTOOD THE COUNTRY'S SERIOUS FINANCIAL POSITION, AND THE PROPOSALS HE MADE NOT ONLY SHOWED A LACK OF IMAGINATION BUT, IN OUR OPINION, ARE UNLIKELY EITHER TO WIN VOTES OR TO INCREASE GOVT REVENUES SIGNIFICANTLY. IN ADDITION, HIS PRESENTA-

TION WAS POOR. IN CONVERSATION WITH THE DCM, A SENIOR CIVIL SERVANT DESCRIBED THE BUDGET MESSAGE AS "THE WORST SPEECH I EVER HEARD THE PM MAKE."

5. UNTIL THE ACTUAL LEGAL LANGUAGE IS PROVIDED, THE EXACT IMPACT OF THE CORPORATE AND TAX CHANGES PROPOSED BY BARROW WILL NOT BE ENTIRELY CLEAR. JUDGING, HOWEVER, FROM BARROW'S REMARKS THE AMENDMENTS WILL ENCOURAGE -- BUT ONLY marginally -- EQUITY INVESTMENT AND CAPTURE REVENUE HERETOFORE LOST WHEN CORPORATIONS MADE "LOANS " TO THEIR OWNERS WHO THEN AVOIDED TAXATION ON THE LOANED FUNDS. THE PM'S NEW MEASURES CLEARLY DISCRIMINATE AGAINST FOREIGN CORPORATIONS, HOWEVER, AND THUS COULD HAVE SOME NEGATIVE EFFECT ON THE FOREIGN INVESTMENT CLIMATE HERE.

6. STRONG AS THE BLP LEADER'S CRITICISMS OF THE GOB'S ECONOMIC POLICIES WERE, HIS SPEECH WILL BE REMEMBERED MORE FOR ITS POLITICAL CONTENT, ESPECIALLY HIS ALLEGATION OF QUESTIONABLE PAYMENTS TO ATTORNEY GENERAL AND EXTERNAL AFFAIRS MINISTER GEORGE MOE AND TO GOB'S UN AMBASSADOR CAMERON TUDOR. ADAMS PLACED BEFORE THE HOUSE COPIES OF CHECKS MADE OUT TO BOTH BY SIDNEY ALLEYNE, A POLITICAL ADVENTURER AND FORMER DEMOCRATIC LABOR PARTY STALWART; AS THEY WERE WRITTEN SHORTLY BEFORE ALLEYNE RECEIVED A LICENSE FOR HIS NOW MORIBUND ALLEYNE MERCANTILE BANK, THE IMPLICATION IS THAT MOE AND TUDOR WERE BRIBED. AN ASIDE TO AN AIDE PICKED-UP BY THE TV MICROPHONE SUGGESTS THE BLP WILL ALSO LATER MAKE AN ISSUE OF THE GOB'S PURCHASE OF THE "NORTH POINT" FROM THE US EXCESS PROPERTY DEPOT (REF BRIDGETOWN 1422). AN EDITORIAL PUBLISHED IN THE SUNDAY ADVOCATE-NEWS DESCRIBES ADAMS' SPEECH AS THE ONE THAT "REALLY SHOOK UP THE WHOLE PROCEEDINGS." IT ALSO OBSERVES THAT "MR. ADAMS HAS MADE A NUMBER OF CHANGES WHICH HE HAS BACKED UP WITH DOCUMENTED CONFIDENTIAL

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EVIDENCE THAT RULES OUT ANY WILD IMAGININGS ON HIS PART"; THAT "THERE IS A CASE TO BE ANSWERED" BY THE GOVT; AND THAT THE IMPRESSION OF SEEING ADAMS MAKE THE CHARGES "LIVE" ON T.V. "WILL INDELIBLY BE ETCHED ON (THE VOTERS') MINDS." THERE SEEMS LITTLE DOUBT THAT ADAMS' SPEECH SIGNIFICANTLY STRENGTHENED THE BARBADOS LABOR PARTY'S CHANCES OF WINNING THE NEXT GENERAL ELECTION. BRITTON

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